

Get Ready for Another Energy Price Spike: High Electric Bills

Rates have jumped because of a surge in natural gas prices and could keep rising rapidly for years as utilities invest in electric grids.



By Ivan Penn

May 3, 2022, 5:00 a.m. ET

Already frustrated and angry about high gasoline prices, many Americans are being hit by rapidly rising electricity bills, compounding inflation's financial toll on people and businesses.

The national average residential electricity rate was up 8 percent in January from a year earlier, the biggest annual increase in more than a decade. The latest figures, from February, show an almost 4 percent annual rise, reaching the highest level for that month and approaching summer rates, which are generally the most expensive.

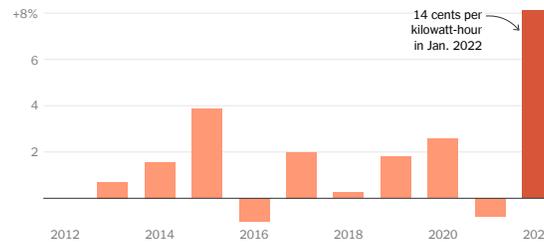
In Florida, Hawaii, Illinois and New York, rates are up about 15 percent, according to the Energy Department's latest figures. Combined with a seasonal increase in the use of electricity as people turn on air-conditioners, the higher rates will leave many people paying a lot more for power this summer than they did last year.

The immediate reason for the jump in electric rates is that the war in Ukraine has driven up the already high cost of natural gas, which is burned to produce about 40 percent of America's electricity. And supply chain chaos has made routine grid maintenance and upgrades more expensive.

What is particularly worrisome, energy experts said, is that these short-term disruptions could be just the start. They fear that electricity rates will rise at a rapid clip for years because utilities and regulators are realizing they need to harden electric grids against natural disasters linked to climate change like the winter storm that left Texas without power for days last year. Power companies are also spending more on new transmission lines, batteries, wind turbines, solar farms and other gear to reduce greenhouse gas emissions.

The Rising Price of Home Electricity in the U.S.

Year-over-year change in average prices in January each year



Source: U.S. Energy Information Administration • By The New York Times

U.S. utilities could spend hundreds of billions of dollars in the coming years to repair and upgrade grids.

Almost all of those costs will filter down to monthly electric bills.

"This is an affordability emergency," said Mark Toney, executive director of The Utility Reform Network, or TURN, which represents ratepayers in California, where rates in February were up 12 percent from a year earlier and utilities are asking regulators to approve further increases. "If you want to control inflation, one of the things you have to control is energy costs."

Natural gas prices have surged in recent months as U.S. producers have sent more fuel to Europe, which wants to use less Russian gas. Utilities in a few places, like Hawaii and Puerto Rico, rely on some power plants fueled by oil, which has also become much more expensive. The price of coal, which accounts for roughly 20 percent of U.S. electricity, has gone up, too.

The Biden administration has been urging the industry to produce more oil and natural gas, but energy experts say it could take a year or two to significantly increase supplies.

Demand for electricity is also rising because of climate change. The National Weather Service expects this summer to be hotter than average in most of the country. People who can least afford higher bills could feel the pain the most because most moratoriums on power shut-offs during the pandemic have ended. Last month, the White House sought to soften the blow of higher bills by making hundreds of millions of dollars available for home energy assistance.

"Consumers are going to pay the price for this," said Gordon van Welie, chief executive of ISO New England, the electric grid operator in the Northeast, where electric rates are among the highest in the country. "The reality is we're going to be dependent on gas for a very long time."

How Home Electricity Rates Have Changed Around the U.S.

Cents per kilowatt-hour

Search in table Page 1 of 3 >

State	January 2021	January 2022	Percent Change ▼
Hawaii	\$0.31	\$0.37	23%
Louisiana	\$0.10	\$0.11	17%
New York	\$0.18	\$0.21	15%
Florida	\$0.12	\$0.13	15%
Kentucky	\$0.10	\$0.12	14%
Oklahoma	\$0.09	\$0.10	14%
Massachusetts	\$0.22	\$0.25	13%
New Hampshire	\$0.19	\$0.21	12%
Nevada	\$0.12	\$0.13	12%
Colorado	\$0.12	\$0.14	12%
Maine	\$0.17	\$0.18	11%
Tennessee	\$0.10	\$0.12	11%
California	\$0.21	\$0.24	10%
Arkansas	\$0.09	\$0.10	10%
Virginia	\$0.11	\$0.12	10%
Indiana	\$0.12	\$0.13	9%
Pennsylvania	\$0.13	\$0.14	8%

Source: Energy Information Administration • By The New York Times

Even the cost of wind turbines and solar panels, which had been falling for years, has risen recently because of supply chain problems. But analysts said that over the next decade those renewable sources should help tamp down energy costs, reducing the toll that volatile oil, natural gas and coal prices can take on family budgets and business profits.

The problem is that building new wind and solar installations and the related power lines and batteries will have an upfront cost.

“Wind, solar and hydro are exactly what you need,” said Mark Cooper, a senior fellow for economic analysis at the Institute for Energy and the Environment at Vermont Law School. “We should have been much further along in the transition, which we haven’t been.”

Relying more on the grid

Residents of Massachusetts and other New England states have long endured some of the highest electricity rates in the country. Then in January, rates jumped again. And government forecasters say summer temperatures in the Northeast will be far above normal.

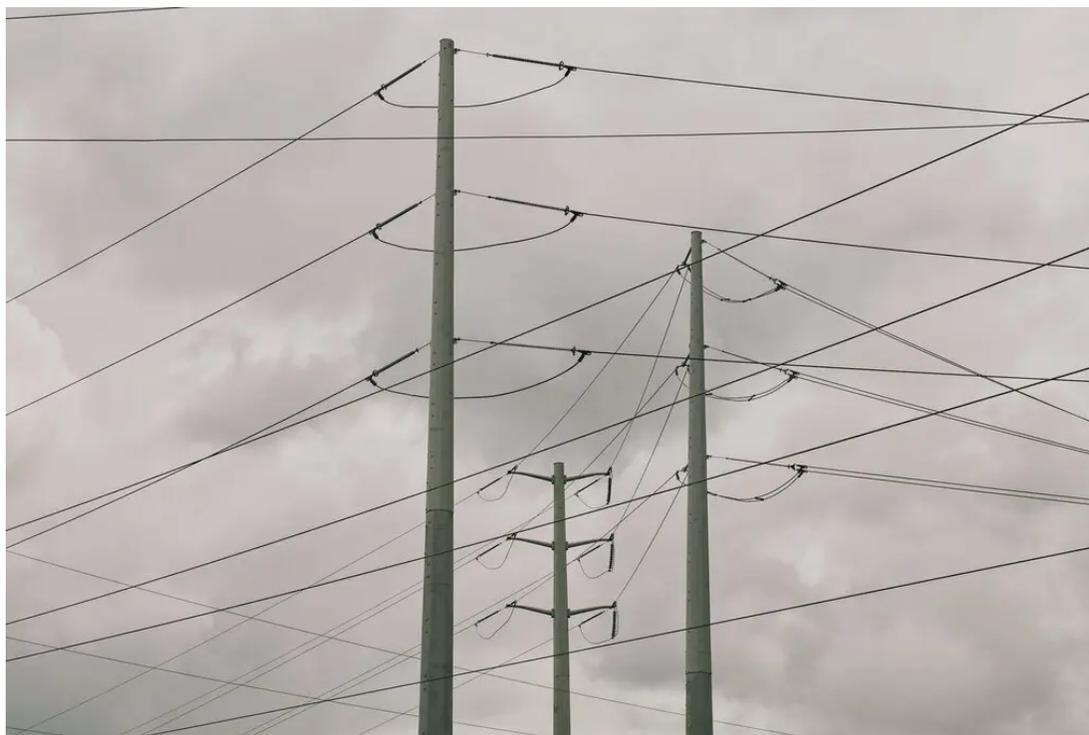
Natural gas sells for about two to three times as much as it did two or three years ago, when a glut sent prices tumbling. New England faces an additional challenge: It does not have enough pipeline capacity to import the fuel from producers like Texas or Pennsylvania.

Some cities and towns in Massachusetts are trying to rely less on gas, including by seeking to ban its use in new buildings. Local and state officials want builders, homeowners and businesses to switch to greener technologies like heat pumps, which operate on electricity, rather than a furnace powered by natural gas or oil. Massachusetts is also encouraging people to buy electric cars to reduce gasoline use.

While those technologies use less energy than furnaces and gasoline cars, they place new demands on the electricity network, forcing utilities to build more wind and solar farms and power lines, Mr. van Welie said. “You’re putting more and more of your eggs in the same basket, which is the grid,” he said.

As utilities spend more, rates will climb further. The national average residential electricity rate in the first two months of the year was nearly 14 cents per kilowatt-hour. In Massachusetts the average exceeded 25 cents in February. Hawaii topped all 50 states at more than 38 cents.

The Energy Information Administration, a federal agency, forecasts that rates a year from now will average about 15 cents a kilowatt-hour, or \$150 a month for the typical household that uses 1,000 kilowatt-hours.



Power companies are spending more on new transmission lines, batteries, wind turbines, solar farms and other gear to reduce greenhouse gas emissions. Mason Trinca for The New York Times

Some people find that it can be hard to escape high energy bills, even when they conserve.

Thomas Popik moved to Arlington, Mass., a Boston suburb, from New Hampshire in December after buying a home that uses a heat pump. But Massachusetts’s electricity rates are so much higher than in New Hampshire, where they averaged about 22 cents per kilowatt-hour in February, that his monthly bills are about the same in a more efficient home.

Mr. Popik plans to add solar panels to further reduce his costs and environmental footprint. And if electricity rates continue to climb and service is unreliable during bad weather, he said, he may disconnect from the grid — an approach embraced by some residents of California.

“You’re going to see more and more people doing that kind of thing, especially if rates become unreasonable,” said Mr. Popik, who is the chairman and president of the Foundation for Resilient Societies, a nonprofit group that focuses on critical equipment and services like electricity, fuel, telecommunications and aviation. “Solar, battery, backup generator — under that paradigm, why should I be charged high electricity rates?”

Utility executives said they understood that growing frustration. Mr. van Welie of ISO New England said federal and state officials needed to come up with policies that lowered the cost of energy, including by using renewable energy more efficiently.

But in a highly polarized political system, there are few energy reforms that can win bipartisan support. President Biden’s signature energy and climate proposal has stalled in Congress because the measure has no Republican backing and Democrats have a narrow majority.

“It’s going to require government and regulatory direction, and that’s hard to get here in the U.S.,” Mr. van Welie said.

Renewable energy could help lower costs

Rates in the first two months of the year were lower than a year earlier in fewer than a dozen states. Most were in the Midwest and Northwest — areas that rely extensively on wind or hydroelectric power, which tend not to be affected by the swings of global commodity markets.

In Oregon, for example, electric rates fell almost 1.5 percent in January and less than 1 percent in February, though some companies like Portland General Electric did raise rates modestly. Even

so, rates at that utility remain well below the national average. The utility, the largest in the state, gets about 20 percent of its electricity from hydroelectric dams, 13 percent from wind turbines and 2 percent from solar panels.

The utility has also recently installed software to improve its ability to incorporate energy from sources like rooftop solar panels and batteries on a neighborhood-by-neighborhood and business-by-business basis. This gives the company more control and flexibility.

Many electric grid operators and utilities have not invested in such tools and cannot monitor and control small energy systems to choose — the lowest-cost renewables over the course of the day, taking into account whether the sun is shining and wind is blowing.

“We have been focused on renewable energy for over a decade, leveraging technologies to allow us to integrate ever-increasing amounts of renewables at the lowest cost for customers,” Maria M. Pope, the chief executive of Portland General, said in an interview.

In much of the United States, utilities are fighting the growth of rooftop solar. Regulators in California have proposed greatly reducing incentives for residential solar systems, though the measure has stalled because of opposition from the solar industry and homeowners. In Florida, Gov. Ron DeSantis recently vetoed a bill backed by utilities that would have effectively gutted incentives for rooftop panels.

Still, utility executives said they were cognizant that they couldn’t just keep raising rates, especially as more people used the grid to power electric cars and heat pumps.

Overall, the greater reliance on the electric grid will reduce costs, said Richard McMahon, senior vice president energy supply and finance at the Edison Electric Institute, a utility industry group. Electric cars and heat pumps, for example, will require less maintenance, do away with fill-ups at gas pumps and reduce heating bills.

“Customers are going to need to think bigger picture: What’s my total energy costs?” Mr. McMahon said.

The Energy Information Administration expects average electricity rates to fall to about 10.5 cents per kilowatt-hour by 2030 and roughly 10 cents by 2050 because of a greater use of renewable energy.

“This is a race between getting to the future and being stuck in the past,” said Mr. Cooper, the senior fellow at the Vermont Law School. “The future is less expensive.”